

DOCKETED

AUG 22 1979

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

BALLY MANUFACTURING CORPORATION,)
)
Plaintiff,)
)
v.)
)
D. GOTTLIEB & CO., a corporation,)
WILLIAMS ELECTRONICS, INC.,)
a corporation, and)
ROCKWELL INTERNATIONAL CORPORATION,)
a corporation,)
)
Defendants.)

CIVIL ACTION NO.

78-C-2246

Judge John F. Grady

MEMORANDUM IN SUPPORT OF ROCKWELL
INTERNATIONAL CORPORATION'S MOTION TO DISMISS
UNDER RULE 12, FED. R. CIV. P.

This patent infringement action was commenced by Bally Manufacturing Corporation ("Bally") on June 6, 1978, the date of issue of the patent in suit. The patent is directed to a pinball machine. The suit was originally commenced against two pinball manufacturers, D. Gottlieb & Co. ("Gottlieb") and Williams Electronics, Inc. ("Williams").

On May 25, 1979, Bally served an Amended and Supplemental Complaint seeking to join Rockwell International Corporation ("Rockwell") as a defendant. Rockwell does not manufacture pinball machines, but rather provides electronic components to Gottlieb for its pinball machines. Consequently, the Amended and Supplemental Complaint charges only that Rockwell "has contributed to and induced the

infringement of" the patent in suit. Rockwell is not charged with direct infringement.

In accordance with the provisions of Rule 12, Fed. R. Civ. P., Rockwell moves to dismiss the Amended and Supplemental Complaint as to Rockwell because:

- (1) actions for contributory infringement and for inducement were not intended to be available unless recovery against the direct infringers was impossible or impractical; and,
- (2) as will be apparent from the affidavits of Messrs. Browning and Sandusky presented on this motion, the microprocessor control system provided by Rockwell to Gottlieb is a standard item of manufacture which is "suitable for substantial noninfringing use" thereby precluding a finding of liability against Rockwell.

Rockwell's motion also included improper venue as a basis for dismissal; but Rockwell withdraws that basis for this motion at this time.

I. In Enacting Section 271 of Title 35, Congress Never Intended to Extend Infringement Liability to Suppliers of Unpatented Components When the Direct Infringer is Available

Section 271 of Title 35, United States Code, provides in pertinent part:

- "(b) Whoever actively induces infringement of a patent shall be liable as an infringer.
- (c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or

especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer."

These are the sole provisions under which Rockwell is charged with liability. In enacting these provisions of the patent law relating to contributory infringement, Congress intended to limit their application to situations where enforcement against direct infringers was impracticable. The purpose of the earlier versions of the bill that became 35 U.S.C. § 271 was apparent from the bills' titles: "to provide for the protection of patent rights where enforcement against direct infringers is impracticable." H.R. 5988, 80th Cong., 2d Sess. (1948); H.R. 3866, 81st Cong., 1st Sess. (1949).

In Aro Manufacturing Co. v. Convertible Top Replacement Co., 377 U.S. 476 (1964), the Justices of the United States Supreme Court were near unanimous in the opinion that the contributory infringement doctrine should not be used to harass alleged contributory infringers where enforcement against direct infringers was practicable. In the words of Mr. Justice Black, joined by the Chief Justice, Mr. Justice Douglas and Mr. Justice Clark:

"Fairness would require that if recovery can be had from the chief wrongdoer, here Ford, the first obligation of the injured person is to try to hold Ford completely responsible. ... The statutory right to sue for infringement -- involving treble damages, punitive damages, attorney's fees, etc. --

should not be construed in a way that permits unnecessary harassment of people [who are not the chief wrongdoers]."

377 U.S. at 523-24.

Mr. Justice Brennan, writing for the Court, noted:

"But where the patentee has in fact enforced the patent against so solvent and accessible a direct infringer as Ford, it is difficult to see why it should then be allowed to invoke the contributory infringement doctrine -- designed for cases 'where enforcement against direct infringers is impracticable'."

377 U.S. at 511-12 (footnote omitted).

II. Rockwell Merely Sells Gottlieb a Standard Microprocessor Control System Programmed Incompletely For Any Purpose

Rockwell sells to Gottlieb a partially programmed PPS-4 microprocessor chip set which is capable of final programming by Gottlieb to control a pinball game. (Gross Affid., para. 4, 5). Insofar as the alleged invention of the Bally patent is concerned, the introduction of a microprocessor controller for a pinball game was not intended to introduce new functions to the pinball game. Rather, the intent was to have the microprocessor pinball game mimic the operation of prior electromechanical pinball games. Gottlieb merely completes the programming of the Rockwell controller to likewise accomplish the mimicing.

Mr. Nutting, one of the inventors on the Bally patent, admitted that the intent in using a microprocessor was to mimic an electromechanical game (Nutting Dep. at 399):

Q Well, is it not a fact that the microprocessor-controlled game was designed to behave just like the other electromechanical game?

A That was our objective.

Q And it was to score the same; is that not correct?

A Yes.

Q And the lights and acoustic effects were to be the same; is that not correct?

A Yes.

Moreover, Mr. Frederiksen, the other inventor, pointed out in a declaration to the U.S. Patent and Trademark Office

"THAT the [micro]processor employed may be of any suitable and shown device and is programmed in a well known and standard procedure;"
Declaration of Jeffrey E. Frederiksen, Feb. 17, 1977.

Thus insofar as the microprocessor component itself is concerned, the patent merely describes a standard microprocessor programmed according to previously known techniques to create the previously known audio, visual and scoring effects of prior electromechanical games.

The device sold by Rockwell is commercially known as a PPS-4 microcomputer. Except for later developed interface chips, that microcomputer was in existence in 1973, prior to any conception of the alleged invention of Bally. The device included a microprocessor chip, one or more memory chips, and one or more interface chips. (Sandusky Affid., para. 2) The device was designed as a microcomputer system for control of "a broad class of data processing products",

and was so promoted in Rockwell literature dated 1973.

(Sandusky Affid., para. 2; Exh. A, at 1)

Prior to 1977, and prior to the issuance of the patent, Rockwell adapted this microcomputer to control a pinball game and now partially programs the device to enable the microcomputer controller to mimic the effects of prior electromechanical controllers. Production and sale of PPS-4 microcomputer systems by Rockwell to Gottlieb commenced well prior to the issuance of the Bally patent. (Wall Affid., para. 3-4).

1. The PPS-4 System Provided to Gottlieb Was Also Designed For and Suitable for Use as a General Purpose Controller

After production of Gottlieb controllers was underway, by letter of March 8, 1978 Rockwell sought the consent of Gottlieb to utilize the Gottlieb controller module for general industrial control applications (Browning Affid., para. 4; Exh. A):

The reason for the request is to allow Rockwell to utilize your pinball controller module as a controller module for industrial control applications. The initial application is proposed for use by a laundry equipment manufacturer as a controller for three separate and different laundry folding machines.

We would completely reprogram the system to act as a general purpose industrial controller, and then provide ancillary interface and a display module to meet the specific requirements of each program. In addition, for each specific job a PROM reprogramming is assumed to provide the means of customizing the controller for the required performance.

Regarding the potential volume usage of this module, I can only indicate that the first program we are evaluating represents about 500 to 1,000 systems per year, but additional applications will certainly be available and could lead to an estimated market of about 10,000 units per year.

The above comments make it clear that the Gottlieb controller, differently programmed, was indeed suitable for use in a wide range of control applications. The controller proposed in the above letter was called the "Rockwell STC Controller Module" and was formally announced by Rockwell in April, 1978, before the issuance of the Bally patent. (Sandusky Affid., para. 5; Exh. C). It was the subject of a technical article in a trade publication which was published on June 8, 1978, two days after the issuance of the Bally patent. (Browning Affid. para. 8; Exh. E).

Hence, without any knowledge of a Bally patent, Rockwell and Gottlieb had arranged to exploit the Gottlieb controller in applications other than pinball. The remaining allegations of the Sandusky and Browning Affidavits are further evidence of the suitability of the Gottlieb controller, in the form of the STC Controller, for general industrial control.

2. The Only Difference Between the Gottlieb Controller and the STC Controller is the Program in the Microprocessor Which Cannot Be the Basis of the Bally Patent and Cannot Be a Material Part of the Bally Invention

A microcomputer is a small computer. And like any computer, a microcomputer is designed and intended to be programmed. When the microcomputer is to control a pinball game, the programmed instructions would be different than if it were to control a laundry folding machine. (See Exh. A of the Browning Affidavit). Nonetheless, the apparatus involved is suitable for use for any number of controller applications. And programmed instructions may be erased and changed.

Admittedly, when a Gottlieb controller is completely programmed, it would not be suitable to control a laundry folding machine or any other machine. But the programming in the present instance merely provides instructions for the pinball game to behave in precisely the fashion that a prior art electromechanical game behaved.

It is the memory chips -- read only memory chips or ROMS -- which contain the program or algorithm for operating the Gottlieb pinball game. The algorithm is merely the mathematical and computer language expression of the operation of an electromechanical pinball game. Extension of the patent monopoly to cover the algorithm of a computer program in circumstances such as these is not permissible under

present law. Parker v. Flook, 437 U.S. 584, 98 S. Ct. 2522, 2526-28 (1978); Gottschalk v. Benson, 409 U.S. 63 (1972).

Hence, the program in the Gottlieb microcomputer apparatus cannot be regarded as "constituting a material part of the [Bally] invention" as required by Section 271(c) of the statute. The apparatus of the Gottlieb controller is virtually identical to that of the STC Controller. That apparatus, unprogrammed, clearly has a noninfringing use. A determination that such a controller designed to be programmed could be a contributory infringement solely because of its particular programming, would represent a far reaching decision of this court for which there exists no known precedent and this is especially so when the programming is incomplete!

In Digitronics Corp. v. New York Racing Ass'n., 187 U.S.P.Q. 602 (E.D.N.Y. 1975), aff'd, 553 F.2d 740 (2d Cir.), cert. denied, 434 U.S. 860 (1977), the District Court considered a patent directed to an electronic data processing system which duplicated the function of prior pari-mutuel totalisator systems. An issue posed was whether apparatus claims defining a combination of old elements can be infringed when the recited elements function in the claimed fashion only because of the programming introduced into standard multifunctional computer-type circuitry. After reviewing the Supreme Court's decisions relating to patentability and computer software, Judge Dooling concluded:

What [Gottschalk v. Benson, 409 U.S. 63 (1972)] says does not dispel uncertainty, but it lends enough light to see to the conclusion that a combination of means claim comprising a machine system is not infringed by another machine system which does not as a permanent machine system include the same combination of means, and which performs the function to which the patented combination of means is addressed only when its general-purpose digital computer element is "instructed" -- programmed -- in the processing of the type of raw data that is to be fed to it.

187 U.S.P.Q. at 640.¹

The claims in the Bally patent are apparatus claims involving a combination of means. But all the apparatus sold by Rockwell to Gottlieb is old and was known prior to the Bally invention. Of course, the Rockwell micro-computer is designed to be programmed, and only when it is programmed, does it allegedly become a contributory infringement. Rockwell submits that, as a matter of law, the programming of such a known microcomputer as the PPS-4 to mimic the behavior of prior art electromechanical pinball machines cannot constitute a material part of the invention of the Bally patent and hence cannot constitute a contributory infringement.

1. The Court of Appeals held the patent invalid and did not reach the infringement issue to specifically affirm it.

3. The Mere Fact That a Device is Specially Adapted to an Alleged Infringing Use Does Not Make it a Contributory Infringement

Referring again to the legislative history of Section 271, the cases that were discussed in the Congressional hearings with reference to that statute were cases in which the direct infringers of the patent were so numerous and the infringing use by each so limited that suing or licensing each direct infringer would be impracticable. Section 271(c) was intended to define a very narrow area where contributory infringement should properly be applied. The "proper case" that Congress had in mind in enacting Section 271 was typified by the classic lamp case, Wallace v. Holmes, 29 F. Cas. 74 (No. 17,100) (D. Conn. 1871).

The lamp case was explained to the Congressional subcommittee by Mr. Giles Rich², then Vice-President of the New York Patent Law Association and now a judge on the Court of Customs and Patent Appeals. In the lamp case, the patent covered a kerosene lamp. It had a base in which the kerosene was placed. The base supported a brass burner mechanism and was adapted to support a glass chimney. Judge Rich testified:

2. Judge Rich's comments regarding Section 271 are particularly pertinent because he was a member of the Drafting Committee of the Coordinating Committee of the National Council of Patent Law Associations. Judge Rich assisted in writing the present patent statute.

"[W]hen lamps were sold they were put on the shelves as articles of merchandise without chimneys, because chimneys were stocked in the store as separate items, being more or less perishable . . .

* * *

...[T]he patent was on the complete lamp for the simple reason the claim described a complete lamp, but the inventive subject matter was in the burner mechanism.

* * *

Now the defendant said, 'I have not infringed this patent because the claim of this patent includes the chimney as an essential element, and there is a rule in the patent law that the omission of an essential element from a combination voids the infringement. I just sell the base and burner. I do not infringe!'

How did the judge solve the problem? He did it just the way I think you would do it. He said this defendant has appropriated the invention and infringed the patent of this inventor and I am not going to let him get away with it because he leaves the chimney off."

Hearings Before Subcomm. No. 4 of the House Comm. on the Judiciary, 80 Cong., 2d Sess., ser. 21, at 4-5 (1950).

In the lamp case, the contributory infringer appropriated the very essence of the invention by selling the entirety of the lamp save for the standard glass chimney. The Congressional hearings made it clear that contributory infringement was not to be concluded even if a device was especially adapted to be used in an accused infringing combination, if the device was not the essence of the invention. Judge Rich made this clear when he explained his understanding of the statute to the subcommittee members:

"And the one thing we have definitely tried to do is to exclude the people who sell common articles of commerce, staples, things that had nothing to do with the invention,... even things especially adapted, as Mr. McCabe pointed out this morning, to fit things into other people's apparatus, unless they are a material part of the invention."

Hearings Before Subcomm. No. 3 of the House Comm. on the Judiciary, 82d Cong., 1st Sess., ser. 9, at 157 (1951) (emphasis added).

III. The Inducement Provisions of Section 271(b) Cannot Be Invoked Here Where Rockwell is Not a Contributory Infringer And Where The Bulk of Activity Occurred Prior to Patent Issuance

Rockwell comes within the specific exception of 35 U.S.C. § 271(c). Accordingly, it is submitted that Rockwell's sales cannot violate paragraph (b) of Section 271. Because Congress explicitly expressed the exception created by paragraph (c), that exception should not be swallowed by the general expression in paragraph (b). Note, Section 271(b) of the Patent Act of 1952: Confusion Codified, 66 Yale L.J. 132, 139 n.34 (1956). The Revision Notes that accompanied the House and Senate Reports stated that paragraphs (b) and (c) of Section 271 "define and limit contributory infringement" of a patent. H.R. Rep. No. 1923, 82d Cong., 2d Sess. (1952); S. Rep. No. 1979, 82d Cong., 2d Sess. (1952) (emphasis added). Mere passive purchasing and selling is not inducement within the meaning of 35 U.S.C. § 271(b). Amtron, Inc. v. Nordson Corp., 180 U.S.P.Q. 27, 29 (N.D. Ill.

1973). Under the terms of Section 271(b), inducement must be "active".

"The seller should not be liable under paragraph (b) for merely selling because merely selling a staple is not what is meant by 'active inducement'."

Rich, Infringement Under Section 271 of the Patent Act of 1952, 35 J.P.O.S. 476, 495 (1953) (emphasis in original).

Rockwell did not know of the patent in suit or of any alleged infringement by Gottlieb before the complaint was filed on the date of issuance of the Bally patent. Rockwell's activities prior to such knowledge, including Rockwell's contributions to the design of the Gottlieb controller, cannot be said to have been active inducement of infringement in violation of the patent laws. Knapp-Monarch Co. v. Casco Products Corp., 342 F.2d 622, 626-27 (7th Cir.), cert. denied, 382 U.S. 828 (1965); Steelcase Inc. v. Emeco Industries, Inc., 192 U.S.P.Q. 662, 663-64 (N.D. Ill. 1966).

Rockwell's activities prior to the issuance of the patent are generally irrelevant. "Any activities not taking place within the term of the plaintiff's patent are not relevant." Cohu Electronics, Inc. v. Erie Resistor Corp., 138 U.S.P.Q. 391, 392 (N.D. Ill. 1963); Knapp-Monarch Co. v. Dominion Electric Corp., 365 F.2d 175, 177 (7th Cir. 1966).

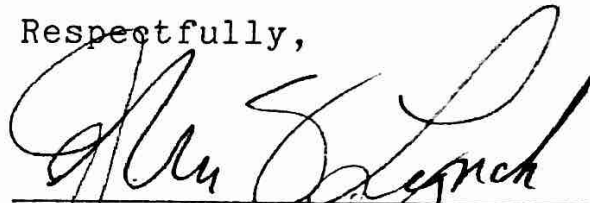
Rockwell's activities since patent issuance have been as a seller, not an inducer.

IV. Conclusion

It may be seen from the above that Rockwell supplies merely a partially programmed microprocessor controller system which has a substantial noninfringing use and which is not a material part of the invention. Hence Rockwell cannot be a contributory infringer. Under these circumstances Rockwell moreover cannot be held to be an inducer when principal design activities occurred prior to patent issuance.

The Amended and Supplemental Complaint as to Rockwell should be dismissed.

Respectfully,



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